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PROGRAM It's Your Business

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SUBJECT The U.S. and Canada

MERYL COMER: What policies threaten the trading partnership between the U.S. and Canada? Has a worldwide recession forced Canada to reconsider its campaign of Canada First? You should know. It's your business.

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ANNOUNCER: From Washington, D.C., the United States Chamber of Commerce presents It's Your Business, a weekly series of debates on vital issues affecting you.

And now the moderator of It's Your Business, Meryl Comer.

COMER: The United States and Canada, each other's most important strategic and largest trading partner, are at odds over a Canada First campaign of economic nationalism designed to reduce foreign and, specifically, American interest in key industrial sectors. To make matters worse, Canada, grappling with all the symptoms of a worldwide recession -- high unemployment, double-digit inflation, and a devalued dollar -- blames interest rates in the United States for contributing to a delayed economic recovery.

At issue today, U.S. and Canada: Why uneasy neighbors?

My guests: Ambassador Allan Gotlieb, Canadian Ambassador to the United States.

Ambassador Gotlieb, the saying goes that when the U.S. economy sneezes, Canada catches cold. Does that describe the current state of affairs?

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AMBASSADOR ALAN GOTLIEB: Oh, I think we might get a little snuffle, but I don't think we get a serious cold from a mere sneeze.

On the other hand, if the United States really came down with a very bad cold, it would certainly affect us.

COMER: Also joining us, Ambassador William Brock, holding the Cabinet-level position of U.S. Trade Representative.

Ambassador Brock, what's at stake in the trading partnership between the U.S. and Canada?

AMBASSADOR WILLIAM BROCK: Ninety-two billion dollars worth of business, better than a million American jobs, and our most important and deeply-rooted personal relationship with any other country in the world.

COMER: Another opinion from the CBC's chief Washington correspondent, Joe Schlesinger.

Mr. Schlesinger, is Canada having second thoughts about its nationalistic policies?

JOE SCHLESINGER: No, I don't think so. It's a matter of are they nationalistic. You were talking about Canada First and Canadian nationalism. But we happen to think, most Canadians happen to think that we're only beginning to assert our economic independence.

COMER: Representing business is Dr. Richard Leshner, President of the U.S. Chamber of Commerce.

Dr. Leshner, has Canada's high-risk trade policy aimed at discouraging American investment backfired?

RICHARD LESHER: In my opinion, Meryl, it has. I think it's been a disaster. We see a worldwide recession, but we see it's much worse in Canada, partly because of the outflow of capital, which diminishes the number of jobs available.

COMER: When we continue, the side effects of Canada's economic nationalism and what happens when two-way traders don't play by the same rules.

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COMER: In 1981 two-way trade between the United States and Canada approached \$90 billion, with the U.S. buying more from Canada than the entire European Community and four times more than Japan. American business investments, direct and indirect,

topped \$70 billion, with 80 percent of all foreign investments in Canada American-made. And there's the rub.

The current bilateral trade disputes involve two controversial policies of the Trudeau government: the national energy program, or NEP, which has as its goal self-sufficiency in energy and control of at least 50 percent of its oil and gas industries by 1990. Under NEP, the government taxes so-called windfall profits of the oil industry, now 65 percent U.S.-owned, to subsidize mergers and take-overs, and in effect nationalized the oil and gas industry. Further frustrating American business relations with Canada is the Foreign Investment Review Agency, or FIRA, designed to toughen investment criteria and screen out projects that benefit Canada first.

Gentlemen, before examining the very complex and controversial trade problems, it's probably helpful to see how we view one another.

Ambassador Gotlieb, how does Canada view the United States right now?

AMBASSADOR GOTLIEB: Well, I'd rather first say how I view what you've just said. I think that you have made some extremely inaccurate statements. And I thought we were going to discuss Canada-U.S. relations here, and not discuss a misinformed and inaccurate indictment of Canadian policies.

COMER: Well, let's correct -- let's find your corrections.

AMBASSADOR GOTLIEB: Well, I mean everything you've said, I think, has been very prejudiced and rather explosive. Are we here to try to get at some truth, or are you here to misrepresent the facts?

COMER: All right. Then let's be very specific. Does two-way trade approach \$90 billion?

Ambassador Brock, is that a correct statement?

AMBASSADOR BROCK: Yes. And it'll probably exceed that this year.

COMER: It will probably exceed that.

Did you have problems with that?

AMBASSADOR GOTLIEB: No. I have problems with your saying that Canada is conducting a Canada First campaign, that we're nationalizing the industry, we're out to nationalize

industry. I have trouble with a number of comments you made which were really quite inaccurate. And since I'm here, I'd like to point that out to you.

COMER: Well, that's fine. Well, then offer us your perspective. How do you view Canada -- U.S.-Canada relations?

AMBASSADOR GOTLIEB: Well, I think, on the whole, Canada-U.S. relations are pretty good. We have a very, very big and significant relationship. We have a number of problems caused by the economic turndown in the two countries.

But I think what is hurting the relationship are statements that are inaccurate and sometimes inflammatory.

[Confusion of voices]

LESHER: If I could jump in there. I think we would all agree that we've had a longstanding relationship between the two countries. But that does not for a minute dismiss the fact that we have some very substantial problems right now. And in our view, some of those problems are Canadian-originated.

The whole business of FIRA, the Foreign Investment Review Agency, was indeed directed at the United States investment in Canada, with a policy, a public policy in Canada designed to limit the amount of American investment. And now I think it's spilled over to the rest of the world.

Is that a fact or is that something that's up for dispute?

SCHLESINGER: Well, certainly there are some trade disputes that can be discussed rationally. But I think what Ambassador Gotlieb was objecting to was the emotive content that's been put into it.

For instance, you said, Miss Comer, that [unintelligible] with certain policies which benefit Canada first. Now, putting in the word first puts an emotive content into it. They benefit Canada. Why shouldn't Canadian legislation benefit Canada?

You talk about Canadian nationalism. You know, this country is nationalist much more than Canada. Here, kids every morning salute the flag in school, pledge their allegiance to the flag. We didn't even have a flag 20 years ago. We're still debating in Canada what being Canadian means. And yet we're being accused of being nationalist.

COMER: All right. Now, I quoted basic studies and

basic information that is available currently and being discussed currently on the American scene.

Now, in the U.S., when there is an economic downturn, there seems to be an increase in protectionist talk in our country, as well. But in Canada right now, it appears to be just the opposite. And the question arises, is nationalism a luxury, Ambassador Gotlieb?

AMBASSADOR GOTLIEB: Why don't we talk about United States nationalism? I mean, you know, you talk about Canadian nationalism and you use in your introductory comments -- several times you refer to nationalism policies.

My point is that we have a very important relationship, and it's going to be harmed by inflammatory statements and by unfair statements. And I think that's a point that I want to register here on you. Is the point of this program to help improve Canada-U.S. relations and provide a greater understanding for many, many people who are interested? Or is it to pass around misinformation?

COMER: No, it's to understand the complexities of a relationship.

Ambassador Brock.

[Confusion of voices]

AMBASSADOR BROCK: It seems to me that when you talk about economic nationalism and you look at the national energy program in Canada, one of the aspects of that program is to have the Canadian government take 25 percent of U.S. oil company development in that country, retroactively, and in some cases without compensation. I mean the law is absolutely incredible. It says if you, you know, put up 50 oil wells and 10 of them are productive, we might compensate you -- recompense you for the 10 where you're producing oil, but the other 40 that we take we're going to take without any recompense at all.

Now, that -- that's simply saying, "Hey, you Americans. Come on up here, invest in Canada, take the risk. We're not going to give you anything back."

Now, that's nationalism by anybody's definition, and it's more than that.

SCHLESINGER: First of all, Ambassador Brock, in that money that the United States oil companies are investing in Canada, they get 70 percent of it back from Canadian taxpayers in exploration.

Secondly, when you -- an American oil company drills offshore in Canada, it still can drill offshore in Canada. Foreign companies are excluded from drilling offshore in the United States. And it isn't even a law; it's just part of the administrative routine of excluding foreign companies.

In other words, all I'm trying to say is the United States, too, discriminates against foreign interests. I can't get a broadcast license in this country. I can't buy a power generating company, as a foreigner. You know, there are discriminatory actions on both sides.

AMBASSADOR BROCK: You've heard me say too often that none of us are without sin. But the examples are not accurate. And beyond that, it seems to me that, you know, we have nationalism in the sense that we do protect our national security industries. I grant that. And I think every country does. But I don't think we have a law that says, as Canada's law does, that there's going to be an incentive for development, government paid for, as in the PIT (?) program under the national energy approach, which gives back to the big oil companies of Canada 80 percent of what they expend on the basis of their Canadian ownership, and it reduces as there is American ownership. That is absolutely blatant discrimination. It really is. And I don't see how else you can describe it.

LESHER: Our country, I think, has had as good a record of encouraging the free flow of trade and investment as any country in the world. In fact, in 1979, when the Attorney General for the state of Oklahoma declared unilaterally that Canadians could no longer own land in the state of Oklahoma, this organization, the U.S. Chamber of Commerce, took that case to court and that ruling was quickly overturned. And so the law was preserved that Canadians did indeed have the right to own land in Oklahoma, as is the case in most of the other states.

We're not sure that we always get that kind of fair shake. The Japanese just bought a big bank in California, but we can't buy banks in Japan.

But the principle is that we believe in free trade. And I think you do as well. And there are some problems causing not only concern to Americans, but concern to the Canadian business community, caused by these new laws that have come in in the last ten years.

AMBASSADOR GOTLIEB: Well, I think if we want to look at the facts, I think, as you say, Canada certainly supports free trade and we favor free trade. But what I object to are statements which I find are, I think, part of the problem, that another country's policies are cast as unfair and nationalistic,

and your own are cast some other way.

Your policies are very nationalistic. And I don't see how that can be a criticism of them. You have every right and duty, representatives of the United States, to pursue American interests through the world. And I think that, on the whole, you have done it quite effectively.

Now, I think that one might criticize some of these policies, and one might find that they are good or bad. But I don't think it's helpful to start off by saying that these are, somehow, U.S. -- United States First nationalistic policies.

In the case of Canada, we are the most open country in the world, we have been, towards foreign investment. We have 48 percent -- the manufacturing industry of Canada is foreign-owned. Three percent of United States manufacturing industry is foreign-owned. So who is open and who is not?

COMER: Gentlemen, we're going to take a look at exactly that issue when we continue.

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COMER: Let's try to be specific where we can.

Ambassador Brock, are there direct measures that, in your opinion, have been undertaken by the Canadian government to discourage American investment in Canada?

AMBASSADOR BROCKE: When the Canadian government enacted the national energy policy, two elements of it clearly would have and did have the effect of discouraging investment. One, the retroactive taking of U.S. property, U.S. investor property by the retroactive back-in provision of that bill, 25 percent of the investment. Secondly, the provision that in the future the subsidies or tax favorable treatment to oil companies in development would go on the basis of the share of ownership held by Canadians.

The FIRA plan, as it is presently administered, while all of the public statements seem to be fine and within the normal concept of nationalism, the way it's been administered --and this is why we are contesting the FIRA in the GATT with a legal challenge -- U.S. businesses have been effectively told, "When you make an investment in Canada, you have to export a certain percentage of that investment, or that product that comes out of that investment. You have to buy a certain share of Canadian product, regardless of whether it is economically logical or not." That makes the decision an uneconomic investment.

COMER: Ambassador Gotlieb, probably the more important question is, do you want us there? Do you want American investment in Canada? And to what extent are you willing to encourage that investment?

AMBASSADOR GOTLIEB: Well, I think that we certainly want American investment. As I say, we have the largest percentage of foreign investment in the industrialized world. We continue to favor foreign investment. A great deal of foreign investment has come into Canada since FIRA was established in 1974 or '5. And we are very positive towards foreign investment, and we want foreign investment. And there should be absolutely no mistake about that.

Now, the United States also does have laws which prefer Americans. They may be called Buy America laws. They affect certain areas, very important ones. They're not trivial, but they are very, very important. Surface transportation is a case in point. There are many laws in the United States which prefer Americans. And that is understandable, because the United States government is responsible to the citizens of this country.

COMER: May we talk about another misperception, then? And perhaps, Mr. Schlesinger, you could help us out, since you've watched both sides for a while.

We in America like to think that Canada is an extension of ourselves. And what you're telling me, from our opening statements, is that's not the case.

SCHLESINGER: We're a different country and we have different problems and different solutions. And the thing is about Americans is they're quite open-minded, but they sometimes don't see -- they see solutions that are American solutions as being okay, but solutions that we seek that happen to be different are not okay.

Let me give you an example. The Bus Regulatory Act of 1982, which President Reagan just signed last month, and he sent a memorandum to Ambassador Brock, barring Canadian truckers from getting licenses to operate in the United States. And what did President Reagan say in that memorandum? He said there had been no problem between U.S. truckers and Canadian truckers until the U.S. deregulated its trucking industry. And I quote President Reagan from that memorandum to you, Ambassador Brock, in which he said, now our regula -- in other words, now our regulations are different. And because they're different, they punished Canadian truckers.

COMER: Is it tit-for-tat policy?



LESHER: Well, I would just say that deregulation in the trucking industry has caused a lot of problems here in this country as well, and they're going to sort themselves out.

But I'd like to go back to this fact-finding exposure that we were involved in earlier that the Ambassador...

SCHLESINGER: But while they're sorting themselves out, Canadian truckers are barred from coming into -- getting new licenses.

AMBASSADOR BROCK: Now, give the President due. The law imposed a flat two-year moratorium. The President has partially lifted that already. The day he signed the bill he did that. Ambassador Gotlieb knows this. We worked very hard on this project. And then he instructed me to negotiate with Canada to be sure that there was fair and equitable treatment on both sides. And we will reach a conclusion of the problem.

COMER: Gentlemen, instead of getting very specific -- we have a broad audience out there, Canadians and Americans. Unemployment is high in both Canada and the United States. They're sitting out there and they're saying, "Why should we care about these gentlemen arguing about trade policies?"

How does it affect both the Canadians at home and the Americans?

AMBASSADOR BROCK: Because it does mean jobs, Meryl. We are talking, fundamentally, about the economic recovery of these two countries. If we work together, if we do more business together, we will create more jobs in both societies, and both of us...

COMER: All right.

But how closely, Ambassador Gotlieb, is that recovery linked?

AMBASSADOR GOTLIEB: Well, I think the recovery is going to require that we both remain relatively open countries who are committed to increased trade. But the point is, though, that up till now at this discussion, a number of points have been made about how Canada is departing from those principles.

Trucking is a case where the United States -- and I'm very glad that Ambassador Brock said what he said, because our two governments are working closely together, and our two administrations -- the administration has been helpful. But the Congress has passed legislation which was discriminatory against Canada and it has a retroactive effect. And Canadians are very upset by that.

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But I am not going to generalize and say that because of that the United States is an America First society or is prejudiced against foreigners.

COMER: I'm sorry. I'm going to have to interrupt. We'll have to take a break, and we'll be back in time for a summary comment.

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COMER: It's important to note that it took 14 years, 22 treaties and agreements to set all that now famous 5000 mile undefended border between the United States and Canada.

By way of summary, let's take a look at positive ways to improve our bilateral trade relations.

Mr. Schlesinger.

SCHLESINGER: Well, I think you asked earlier why people should care out there. Well, I'll tell you why. Because we are your biggest trading partners. People know about the problems with Japan because they're so visible. They see their Sonys and their Toyotas. They don't realize all the things that they get from Canada because they don't have "Made in Canada" signs all over them. But it is -- we are your biggest trading partner. We've got to get along with you. You've got to get along with us.

LESHER: I agree with Joe. I think it's been part of the family. And it's not unusual for brothers to squabble once in a while. But after a while they get their act together.

Now, we happen to disagree with a few recent policies, but we think in time those will be corrected.

AMBASSADOR GOTLIEB: Well, I think we have the best two-way relationship of any two countries in the world. And I think that we have to keep it that way. And one of the -- a couple of important ways will be to keep the general perspective in front of us and not get too detracted, or distracted by what might be special interests in either country who are trying to simply promote their own particular problem.

COMBER: Thank you.

Ambassador Brock.

AMBASSADOR BROCK: We are important to each other. There are American jobs at stake, millions of them; Canadian jobs at stake. But more important is the fact that we just have to

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live together as good friends. And we will make it work.

COMER: We are neighbors.

Gentlemen, thank you very much for joining us.